Nova Scotia

ANNUAL REPORT

For the fiscal year
Ending March 31, 1999

Alcohol and Gaming Authority

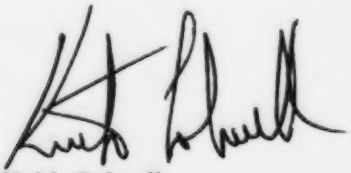
100-04522/

To His Honour
The Honourable J. James Kinley
Lieutenant-Governor of Nova Scotia

May It Please Your Honour:

I have the honour to submit the Annual Report of the Alcohol and Gaming Authority for the fiscal year ending March 31, 1999.

Yours very truly,



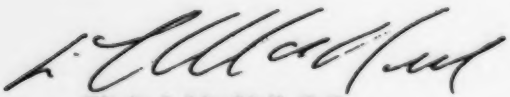
Keith Colwell
Minister Responsible for the
Administration of Part II of
the *Gaming Control Act*

The Honourable Keith Colwell
Minister Responsible for the
Administration of Part II of
the *Gaming Control Act*

Dear Minister:

Presented herewith is the Annual Report pursuant to Section 66 of the *Gaming Control Act* for the year ending March 31, 1999. The Report reflects all activities of the Alcohol and Gaming Authority (including gaming, liquor and theatre and amusement activities).

Yours very truly,



Elwin J. MacNeil, Q.C.
Chair, Alcohol & Gaming Authority

MEMBERS OF THE BOARD

The members of the Alcohol and Gaming Authority for the year ending March 31, 1999 were:

Elwin J. MacNeil, Q.C. Chair

G. Wayne Beaton, Q.C. Member

M. Patricia Connelly, Ph.D., Member

Louis A. d'Entremont, Member

William M. MacDonald, Member

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EXECUTIVE DIRECTOR'S REPORT

The Nova Scotia Alcohol and Gaming Authority is pleased to report on its activities and finances for the 1998/99 fiscal year. The Authority's three primary functions are to license and regulate the beverage industry, to ensure honesty and integrity in all forms of gambling in the Province, and to publish an annual study of gaming in Nova Scotia, reporting it to the Legislature through the Minister Responsible for the Administration of Part II of the *Gaming Control Act*.

This year saw the final stages of the amalgamation of the Halifax metro offices of the Authority into one location. Seventy employees and a contingent of eight RCMP officers now work in the Halifax Regional Municipality area. The Sydney office remains at the Townsend Street location with sixteen employees augmented by an RCMP detachment of three.

As this is the last fiscal year before the turn of the century, improvements in the Authority's operations and services have included Y2K issues. The Authority has implemented an integrated information system which is responsive to the broad licensing, regulatory and other needs. The Authority is satisfied that its systems are Y2000 compliant and will cause no interruption in client service areas. All information systems have been upgraded and/or replaced, and with the purchase of customized licensing software, all alcohol and gaming licensing records and procedure are compiled in a Y2K database.

The Authority's regulating work this year can be summarized as follows with the approximate levels of activity:

- Hearings (liquor and gaming related) 87
- Gaming licenses 6,400
- Liquor licenses 140
- Special Occasion Liquor Licenses 8,200
- Gaming supplier registrations 540
- Gaming inspections/investigations/warnings 11,300
- Liquor inspections/investigations/warnings 32,900
- Amusement inspections/investigations/warnings/seizures 6,600
- Film classifications (for Maritime Provinces) 2,100

The Authority continues to maintain and improve stakeholder relations. For example, continuous consulting with the charitable bingo sector has seen the rate of return to their various charities rise to above 17 per cent, more than 2 per cent higher than the legislated requirement. Translating these results to dollars, charities have increased their income from bingo activities from $4.7 million in 1996 to $13.5 million in 1998 with little variance in the gross bingo wager. This is a significant increase in funds available to charities in Nova Scotia and reduces reliance on other sources of community fundraising.

Several issues marked the 1998/99 fiscal year at the Alcohol and Gaming Authority. Three separate alcohol-related decisions made by the Authority's Board of Commissioners were appealed. The Supreme Court upheld all three decisions of the Authority. Liquor over-service, the granting of credit for purposes of VLT play, the introduction of ATM machines to liquor licensed establishments, the trend to larger outdoor summer celebrations, the Casinos' Voluntary Exclusion Program, and liquor related issues of the quiet enjoyment of property, all required the attention and initiatives on the part of the Authority.

During the past year, as part of its mandate under Part II of the *Gaming Control Act*, the Authority was actively engaged in its ongoing program of gaming research and impact monitoring. This program culminates each year in the delivery of the Authority's Annual Gaming Report to the Minister Responsible for Part II of the *Act*, for tabling in the Legislature. This report not only receives wide circulation throughout the Province, but elsewhere in other jurisdictions in North America.

The Alcohol and Gaming Authority will continue to ensure honesty and integrity is foremost in our gaming licensing procedures and to implement a solid effective regulatory framework for the benefit of the alcohol and gaming industries and the citizens of Nova Scotia.

Dennis W. Kerr, Executive Director/C.E.O.

ABOUT THE ALCOHOL AND GAMING AUTHORITY

Mandate

The Alcohol and Gaming Authority was formed in April 1995, with the amalgamation of the Nova Scotia Liquor License Board, the Nova Scotia Amusements Regulation Board, and the Nova Scotia Lottery Commission. This amalgamation was completed in July 1997, at which time the Commission underwent a name change to more accurately reflect its responsibilities and became the Nova Scotia Alcohol and Gaming Authority.

The Authority's responsibilities include two broad mandates under Part II of the *Gaming Control Act*:

- The first is to license and regulate gaming activity in Nova Scotia in a manner to ensure these activities are conducted with honesty and integrity, while at the same time considering the social and economic interests of Nova Scotians.

- The second is to study and report on certain aspects of gaming in Nova Scotia. The areas of study set forth in the *Act* include public interest and reaction to various forms of gaming; social, economic, health, justice, and environmental impacts of gaming; and the study of the gaming laws and activities in other jurisdictions.

Under the *Liquor Control Act*, the Authority has the mandate to:

- License premises for the sale of liquor on the premises;

- Hold public hearings in order to receive public and community input into applicant's liquor licensing requests;

- To monitor the sale of liquor in licensed premises through inspections, and;

- To ensure licensees are in compliance with the *Act* and its regulations.

The Authority's mandate pursuant to the *Theatres and Amusements Act* includes film classification, licensing and regulation.

- Film classification duties involve the viewing and subsequent classification of film products for use in Nova Scotia as well as other Maritime Provinces.

- Licensing duties involve the licensing and regulation of theatres, places of amusement, and events where fees are charged to the public. Licenses are issued to arcades, drive-in theatres, halls, itinerant shows, carnivals, circuses, outdoor festivals, pari-mutuel machines, racetracks, theatres and video rental outlets.

Goals

The current Authority Action Plan includes the following broad strategic goals:

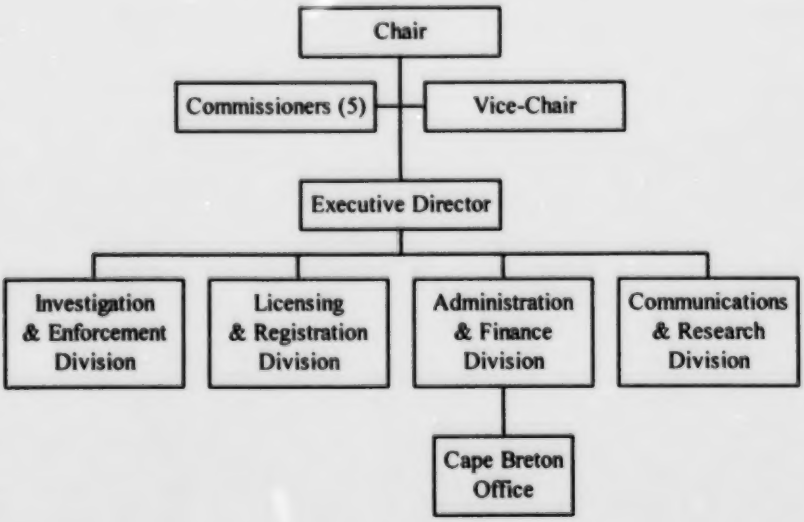
- To ensure that gaming activities are conducted with honesty and integrity;
- To provide an ongoing review of gaming, liquor and amusement activities to ensure they are conducted in accordance with legislation and the public interest;
- To maintain the professional and technical skills necessary to adequately monitor the complex and evolving gaming industry;
- To provide open and accessible avenues of public and community input into the issuance of liquor licenses;
- To provide an unbiased forum for hearing matters of complaints, violation under the legislation and other matters requiring judicial resolution;
- To conduct continuous research and study the public perceptions and impacts of gaming in Nova Scotia, and report that research, in accordance with its legislative mandate; and
- To complete the implementation of the Authority's new Y2K compliant computer system.

Organization

The Alcohol and Gaming Authority is administered by a board consisting of a full-time Chair and six part-time Commissioners. The positions of Vice-Chair and one Commissioner are vacant as at March 31, 1999. In addition to hearing responsibilities as called upon by the Chair, the Chair and the Commissioners also sit on Finance, Administration, Research, and Policy sub-committees.

The Authority has a staff complement of 86 and operates from premises in Dartmouth, Halifax, and Sydney. Compliance staff are located throughout the Province with responsibilities for specific geographic regions. In addition, under contract with the Authority, a complement of RCMP provides casino surveillance and security clearance services.

Organizational Structure of the Alcohol and Gaming Authority



CORE FUNCTIONS

Licensing

The Licensing Division issues licenses to operators of gaming, liquor and amusements activities in the province of Nova Scotia. This licensing includes:

- Bingos, bingo suppliers;
- Ticket lotteries conducted by charities and religious organizations;
- Liquor establishments on a permanent and occasional basis;
- Video outlets, theatres, places of amusement covered by the Film Classification Division; and
- Casino operators, staff and suppliers.

Investigation & Enforcement

The Investigation& Enforcement Division monitors and inspects the conduct of all licensees throughout the Province and investigates complaints of regulatory non-compliance.

Compliance officers are responsible for monitoring the regulatory compliance of more than 20,000 licensees and conducting compliance surveillance at the casinos. Compliance officer visits on all licensees are focused upon developing an understanding and compliance with the *Acts* and their regulations.

Research

The Research & Communications Division conducts, manages and publishes research on public perceptions associated with gaming; the broad social, health, justice, environment and economic impacts of gaming; as well as monitors research conducted worldwide. Liquor, gaming, and amusement activity levels in the Province are collected and stored in databases for analyses. Liquor, gaming, and amusement issues are analyzed and recommendations for improvements are made to the Board.

Judicial

Members of the Board conduct impartial public hearings on liquor applications throughout the Province. Following matters of complaints and the subsequent investigations, the Board may conduct impartial disciplinary hearings, thus providing an avenue of appeal to regulatory actions.

Film Classification

Film Classification provides the classification of film and video for release in Nova Scotia. Classification is made under the "Maritime Film Classification" name and is also utilized as a rating service by New Brunswick and Prince Edward Island.

BOARD MEETINGS AND HEARINGS

The Authority's Board Members met on 98 days during the last fiscal year to consider gaming, liquor and amusement related matters.

The Authority convened 42 gaming panels, and held 12 monthly business meetings.

Disciplinary Hearings

During the 1998/99 fiscal year, the Authority considered 19 disciplinary matters (1 gaming and 18 liquor/VLT related). Action taken ranged from official warnings to suspension of licensing privileges.

Public Hearings

The Board held 68 public hearings at the following locations throughout Nova Scotia, pursuant to the provisions of the *Liquor Control Act*:
Amherst, Annapolis Royal, Antigonish, Baddeck, Bridgetown, Bridgewater, Brier Island, Caledonia, Cheticamp, Clementsport, Dartmouth, Digby, Dominion, Eastern Passage, Glace Bay, Havre Boucher, Jordan Bay, Liverpool, Louisdale, Lower Sackville, Lunenburg, Mabou, Maitland, Margaree Forks, Mavillette, Meteghan, Newport, North Ingonish, North Sydney, Port Hood, Pugwash, Sheet Harbour, Sydney, Truro, West Pubnico, Weymouth, and Windsor.

Other Matters (Liquor)

During the 1998/99 fiscal year, the Board also transferred 71, suspended 20, and expired 101 liquor licenses which did not require public hearings.

RESEARCH SERVICES

The Authority's Communications & Research Division endeavours to stay atop of current research and media developments both in Nova Scotia and beyond. The results and the Authority's analysis of this research are published yearly in its Annual Gaming Report.

This Annual Report can be purchased at the Government Bookstore, and is available for reading at any public library in the Province, the Dalhousie Law Library, and the Barrister's Society Library.

GAMING REGISTRATION APPLICATIONS

	Halifax	*Sydney*	*Total*
Casino Registrations			
Gaming Related Supplier			12
Gaming Related Supplier Employees			84
Non-Gaming Related Supplier			59
Non-Gaming Related Supplier Employees			201
Casino Employees	145	31	176
Bingo Registrations			
Bingo Supplier			1
Bingo Supplier Employees			4
TOTAL	**145**	**31**	**537**

To ensure honesty and integrity in all aspects of gaming all casino suppliers and casino employees are subject to the security clearance process performed by the Authority. Different levels of security clearances are applied to gaming related suppliers and employees (i.e., suppliers of actual gambling equipment), as compared to non-gaming related (i.e., restaurant suppliers).

GAMING LICENSE APPLICATIONS/ISSUANCE

The following applications were approved and issued by the Alcohol and Gaming Authority during the fiscal year.

License Type	*Series*	*Single*
Bingo	473	229
Ticket Lottery	589	401
Permits		4,485
Break-open		78
Games of Chance/Carnival		124
TOTAL	**1062**	**5,317**

Series bingo, and ticket lottery licenses are issued to organizations wishing to carry on a series of regular such events.

Single bingo, and ticket lottery licenses are issued for individual events.

Games of chance and carnival licenses include ticket sales and contests for various forms of prizes.

LIQUOR LICENSE APPLICATIONS/ISSUANCE

The following liquor licenses were issued by Alcohol and Gaming Authority staff pursuant to the *Liquor Control Act*.

Liquor Licenses

License Type	*Approved*	*Issued*	*Denied*
Eating Establishment (Restricted)	5	4	0
Eating Establishment (Unrestricted)	73	64	0
Lounge	38	31	1
Beverage Room	5	4	1
Club	5	4	0
Cabaret	1	2	0
Special Premises	10	10	0
Catering	1	1	0
Military	0	0	0
TOTAL	**138**	**120**	**2**

Liquor license applications can be approved with certain conditional precedents prior to final issuance and site inspections.

Special Occasion Licenses

License Type	*Issued*
Class I	1,119
Class II	4,730
Class III	2,315
TOTAL	**8,164**

Special Occasion License Class I are for events of a private nature for invited guests only, where liquor is being given away.

Special Occasion License Class II Resale are for events of a private nature for invited guests only. Advertising of these events is not permitted.

Special Occasion License Class III shall only be issued to non-profit organizations for community fund-raising events and allows board approved advertising. Class III licenses may be issued to athletic organizations on a limited basis.

FILM/VIDEO CLASSIFICATION RATINGS

Film/Video Permits

License Type	*Video*	*35mm*	*Combined*
General	246	15	**261**
Parental Guidance	358	38	**396**
Adult Accompaniment	359	106	**465**
Restricted	224	36	**260**
Explicit Material	673	0	**673**
Rejected	0	0	**0**
TOTAL	**1860**	**295**	**2055**

General (G) - Considered to be suitable for all ages. There are no restrictions on viewing. The material does not contain elements that might be too intense or offensive for young viewers.
Parental Guidance (PG) - All ages may attend. However, parents should know that the theme or content of the film may be more mature than in general films. It may be appropriate for those 12 years of age and over.
Adult Accompaniment (14) - Considered to be suitable for those 14 years of age and older. Those under 14 must be escorted by an adult.
Restricted (18) - Considered to be suitable for those 18 years of age or older. Those under 18 must be escorted by a parent or legal guardian.
Explicit Material (XXX) - Access limited to 18 years and older.
Exempt (E)
Some types of videos are exempt from classification and will carry an E label. These videos have not be viewed by the Board. They may include children's cartoons, travelogues, instructional videos, athletic events and cultural, industrial, religious or political material.

INSPECTION SERVICES

Liquor, gaming, and amusement inspections are regularly conducted throughout Nova Scotia by Alcohol and Gaming Authority compliance officers. A summary of their activities for the year follows:

Inspections

Inspections	*Total*
Liquor	32,599
Amusement	6,552
Gaming	
Bingo	551
Casino	10,184
Lottery (Tickets)	207
VLT	16,809
TOTAL	**66,902**

Complaints

Complaints Investigated	*Total*
Liquor	165
Amusement	10
Gaming	
Bingo	154
Casino	11
Lottery (VLT)	33
TOTAL	**373**

Special Investigations (Outside of scheduled inspections & complaints)

Special Investigations	*Total*
Liquor	103
Amusement/Theatre	9
Gaming	
Bingo	31
Casino	22
Lottery (VLT)	35
Lottery (Ticket)	10
TOTAL	**210**

Written Warnings Issued

Written Warnings Issued	*Total*
Liquor	41
Amusement/Theatre	1
Gaming	
Bingo	9
Casino	1
Lottery (VLT)	3
TOTAL	**55**

Seizures Made

Seizures Made	*Total*
Amusement/Theatre (Video)	39
TOTAL	**39**

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Grant Thornton

Chartered Accountants
Canadian Member Firm of

Auditors' Report

To the Board of Directors of the
Nova Scotia Alcohol & Gaming Authority

We have audited the balance sheet of the Nova Scotia Alcohol & Gaming Authority as at March 31, 1999 and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 1999, and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Dartmouth, Nova Scotia
May 28, 1999

Chartered Accountants

P.O. Box 933
Suite 301
44 Portland Street
Dartmouth
Nova Scotia
B2Y 3Z8
Tel: (902) 463-4900
Fax: (902) 469-2880

Nova Scotia Alcohol & Gaming Authority
Statement of Revenue and Expenditures

Year Ended March 31

	1999	(Restated) 1998
Revenue		
Liquor license fees	$ 7,163,700	$ 7,055,639
Lottery licenses and fees	1,622,647	1,745,697
Casino fees	264,644	263,985
Amusement licenses	121,950	137,525
Amusement tax	21,954	314,324
Pari-mutuel tax	1,190,495	1,057,310
Film screening and distribution fees	331,612	368,344
	10,717,002	10,942,824
Administrative expenditures (Page 5)	6,986,259	7,112,747
Net revenue	$ 3,730,743	$ 3,830,077

See accompanying notes to the financial statements.

Nova Scotia Alcohol & Gaming Authority

Balance Sheet

March 31	1999	(Restated) 1998
Assets		
Current		
Cash	$ 76,327	$ 264,106
Receivables (Note 3)	1,344,759	812,304
Prepaid expenses	-	1,000
	$ 1,421,086	$ 1,077,410
Liabilities		
Current		
Payables and accruals	$ 47,490	$ 114,388
Deferred revenue	7,700	11,050
Current portion of lease obligation	187,534	-
	242,724	125,438
Lease obligation (Note 4)	301,816	-
	544,540	125,438
Equity		
Due to Minister of Finance		
Balance, beginning of year	951,972	271,862
Net revenue	3,730,743	3,830,077
Remittances	(3,806,169)	(3,149,967)
Balance, end of year	876,546	951,972
	$ 1,421,086	$ 1,077,410

Contingency (Note 5)

On behalf of the Authority

_____ Director _____ Director

See accompanying notes to the financial statements.

Nova Scotia Alcohol & Gaming Authority
Notes to the Financial Statements
March 31, 1999

1. Nature of operations

The Nova Scotia Alcohol & Gaming Authority is the regulatory body responsible for the administration and enforcement of the Gaming Control Act, the Theatres and Amusement Act and the Liquor Control Act. Revenues are derived from the sale and renewal of licenses and registration fees and collection of taxes.

2. Significant accounting policies

Capital assets

These financial statements have been prepared in accordance with generally accepted accounting principles except that all items of a capital nature are expensed in the year of acquisition.

3. Receivables

	1999	(Restated) 1998
Amusement tax	$ 153,256	$ 150,156
Film screening fees	71,555	72,551
Gaming fees	92,953	143,077
Liquor license fees	130,440	398,840
Other	58,977	61,166
Pari-mutuel tax	2,120,087	1,732,905
	2,627,268	2,558,695
Less: Allowance for doubtful accounts	1,282,509	1,746,391
	$ 1,344,759	$ 812,304

4. Lease obligation

	1999	1998
Newcourt Financial Limited, thirty-six monthly blended payments of $18,709 to July, 2001, effective annual rate of interest of 9.83%.	$ 489,350	$ -
Less: current portion	187,534	-
	$ 301,816	$ -

4. Lease obligation (continued)

Minimum principal payments required in each of the next three years are as follows:

2000	$ 187,534
2001	$ 206,822
2002	$ 94,994

5. Contingency

Legal actions have been filed against the Authority by two airlines to recover fees paid on liquor during flights. No provision has been made in the financial statements for this action as the outcome is not yet determinable.

6. Uncertainty due to the Year 2000 issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Authority's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Authority, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

7. Comparative figures

The comparative figures have been restated to reflect pari-mutuel tax revenue and accounts receivable of $631,109 and a corresponding allowance for doubtful accounts and bad debt expense for the same amount. When the 1998 financial statements were being prepared this information was not available and management was unable to determine what revenue was owing to the Authority. If management had been able to determine the amount of revenue and receivable, a corresponding allowance for doubtful accounts and bad debt expense would also have been recorded, as collection of the receivable would have been uncertain.

Nova Scotia Alcohol & Gaming Authority
Schedule of Administrative Expenditures

Year Ended March 31

	1999	(Restated) 1998
Advertising and promotion	$ 31,776	$ 46,216
Bad debts	173,737	644,714
Computer processing	67,977	28,637
Equipment	654,406	135,810
Equipment leasing	21,352	24,353
Freight and duty	6,626	11,092
Interest on lease obligation	21,554	-
Meetings	6,188	29,168
Office	28,954	13,663
Other	24,199	8,542
Postage	36,111	34,273
Printing and stationery	94,700	92,029
Professional fees	509,572	934,121
Relocation	(3,232)	165,981
Rent	273,788	106,968
Repairs and maintenance	1,438	3,720
Security services	805,200	788,700
Telephone	158,067	162,917
Travel	425,163	434,165
Training and development	23,766	21,051
Wages and benefits	3,624,917	3,426,627
	$ 6,986,259	$ 7,112,747